

**Economic Development
Secretary**

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	11,262,100	18,620,500	23,625,100	16,619,000	22,725,200
Salary Compensation Fund	111,300				
Base Deduction	-205,800				
Total General Fund	11,167,600	18,620,500	23,625,100	16,619,000	22,725,200
Restricted Funds					
Balance Forward	1,178,100	343,600		343,600	
Current Receipts	505,500	796,400	1,140,000	796,400	1,140,000
Non-Revenue Receipts	804,800	200,000	200,000	200,000	200,000
Fund Transfers	-200,000				
Total Restricted Funds	2,288,400	1,340,000	1,340,000	1,340,000	1,340,000
TOTAL SOURCE OF FUNDS	13,456,000	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY CLASS					
Personnel Cost	3,820,600	5,078,000	5,311,100	4,001,200	4,056,400
Operating Expenses	882,000	1,432,500	1,454,000	782,000	782,000
Grants, Loans or Benefits	8,175,800	13,450,000	18,200,000	13,175,800	17,175,800
Debt Service	234,000				2,051,000
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY FUND SOURCE					
General Fund	11,167,600	18,620,500	23,625,100	16,619,000	22,725,200
Restricted Funds	1,944,800	1,340,000	1,340,000	1,340,000	1,340,000
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200
EXPENDITURES BY UNIT					
Executive Policy & Management	2,629,600	2,305,500	2,369,600	2,846,700	2,859,600
Commercialization & Innovation	8,107,300	14,782,400	19,588,000	12,675,700	18,732,100
Research and Information Technology	1,464,800	1,851,400	1,951,000	1,523,800	1,550,000
Administration and Support	910,700	1,021,200	1,056,500	912,800	923,500
TOTAL EXPENDITURES	13,112,400	19,960,500	24,965,100	17,959,000	24,065,200

The Secretary's Office provides management of the programs and entities within the Cabinet under the direction of the Kentucky Economic Development Partnership Board. Staff and administrative functions within the Office include communication and marketing services, general counsel, legislative initiatives and special projects.

The Office of Research and Information Technology provides Cabinet-wide support in the areas of information technology, research services and strategic planning support. The staff in this division maintain current data on available industrial sites and buildings in the state; compile data on taxes, transportation, education, labor force availability and industrial services; and provide general economic and demographic statistics for all Kentucky communities.

The Office of Administrative Services provides accounting, budgeting, procurement, and personnel services for all of the agencies within the Cabinet.

The Department for Commercialization and Innovation (DCI) is within the Office of the Secretary. This Department is created by KRS 154.12-278 with the mission to implement the Kentucky Innovation Act passed by the 2000 General Assembly, which mandates creation of the infrastructure necessary to support knowledge-based and technology-driven firms in the Commonwealth of Kentucky. Such New Economy businesses need pure research from universities and other institutions,

laboratory and technology resources, a workforce with current scientific and technical skills, and high-speed communications capability. Just as the industrial firms of the manufacturing economy tended to locate near steel mills and electricity generators, these new firms tend to grow in clusters around their necessary resources. The Department uses grants, loans, training and information to make available those raw materials of the New Economy, and provides assistance to existing and start-up firms in bringing their knowledge-based products to commercial viability. The Commissioner of DCI works closely with the state universities, the Council on Postsecondary Education, and the Governor's Office for Agricultural Policy, among others, to build a thriving entrepreneurial climate in Kentucky.

The Commissioner of DCI and the Kentucky Economic Development Finance Authority administer the high tech construction and high tech investment pools, as prescribed in KRS 154.12-278. In 2005, these efforts included providing a grant for \$750,000 to MetaCyte Business Lab, a biotechnology incubator, to help create new biotech companies and to hire the management and marketing expertise needed by these start-up firms. Over one million dollars was provided to the Center for Pharmaceutical Science & Technology at the University of Kentucky. CPST is building a new, 20,000 square foot pharmaceutical clinical-supplies manufacturing facility, which will also bring in high-skill, high-wage jobs.

Policy

On April 27, 2005, the Kentucky Economic Development Partnership Board adopted resolution 05-03, changing the name of the Department for Innovation and Commercialization for a Knowledge Based Economy to the Department for Commercialization and Innovation (DCI).

The Executive Budget includes General Fund support in each fiscal year for the ideaFestival. An additional General Fund appropriation of \$2,051,000 in fiscal year 2008 is for debt service on \$20,000,000 in bonds for the high tech construction and high tech investments pools.

In the Department for Commercialization and Innovation, General Fund appropriations of \$8 million in fiscal year 2007 and \$12 million in fiscal year 2008 are provided for several new initiatives:

The Kentucky **Life Sciences Commercialization Program** will address one of the key recommendations from the Governor's Life Sciences/Biosciences Consortium Report in 2005. That recommendation called for enhancing Kentucky's current statewide biotechnology commercialization program to more adequately address the needs of the Life Sciences disciplines. Existing biotechnology commercialization efforts will be expanded.

<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>
\$ 5,000,000	\$ 5,000,000

A **Small Business Innovation Research Incentive Program** will encourage small businesses to explore their technological potential and maximize profit from commercialization. DCI will match all Phase 1 and Phase 2 Federal awards received by Kentucky businesses. This would include matching awards of up to \$100,000 to support Phase 1 exploration of the technical merit or feasibility of an idea or technology. Phase 2 Federal awards, which support full-scale research and development, can be up to \$750,000, and would be matched by the Commonwealth up to the first \$500,000.

Phase 1	\$ 2,050,000	\$ 2,000,000
Phase 2	-0-	4,300,000

A **Strategic Analysis of Technologies** will reevaluate Kentucky's top science and technology assets and capabilities (other than the biosciences) as identified in the 2002 Strategic Plan. This will ensure commercialization and innovation initiatives are aligned with the Commonwealth's technological resources.

\$ 200,000	-0-
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A **Statewide Science and Technology Assets Database** will be developed that catalogs all science assets and capabilities statewide. The comprehensive, searchable database will be available for use by businesses in Kentucky and other states to facilitate existing and new business relationships between companies.

\$ 300,000	\$ 250,000
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The Department will conduct a statewide **Life Sciences and Biotechnology Assessment** that includes a fast-start technology commercialization and innovation strategy and biosciences assets database to be included in the database mentioned above. The assessment will focus on life sciences and biotechnology to help develop specialized insight into the Commonwealth's biotechnology industry to facilitate building internal competencies, identifying growth opportunities, and

implementing strategies to overcome challenges in the innovative life sciences sector.

Fiscal Year 2007

Fiscal Year 2008

\$ 150,000

\$ 150,000

The Department will develop a statewide **Nanoscience Analysis and Strategic Plan** and implement a fast-start technology commercialization and innovation strategy. The analysis would be similar to the assessment described above for life sciences and biotechnology, but would focus on nanoscience. Since nanoscience is a “cross-cutting” technology that involves virtually every other area of science, the analysis and plan would also look at related areas of information technology and communications, environmental and energy technology, and materials science and advanced manufacturing.

\$ 150,000

\$ 150,000

A **Statewide Business Plan Competition and Awards** program will encourage entrepreneurship and develop new high-growth ventures in the Commonwealth. The winner will receive a cash award of up to \$100,000.

\$ 150,000

\$ 150,000

The Governor's recommended budget includes \$420,800 in General Fund support in each fiscal year for the Louisville Waterfront Development Corporation.